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C O N F I D E N T I A L SECTION 01 OF 02 FREETOWN 000153

SIPDIS

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DEPT FOR AF/W, AF/RSA (DANIEL EPSTEIN)

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TAGS: [PREL](#) [PGOV](#) [ETRD](#) [EFIN](#) [ENRG](#) [CH](#) [ECON](#) [SL](#)
SUBJECT: CHINA INFLUENCE INCREASING IN SIERRA LEONE

REF: STATE 2758 STATE 34937

SUMMARY

1. (C) China continues to expand its presence and influence in Sierra Leone as it looks to exploit the country's vast mineral wealth and fishing resources. Sierra Leone and China have enjoyed diplomatic relations since 1971. GOSL officials traveled to China last year for the China-Africa Summit and signed a MOU on economic cooperation with the Chinese government. In the mining sector, the Government has invited Chinese mining teams to conduct a comprehensive mineral survey in Sierra Leone. The Government has frozen or rescinded current mining concessions in Sierra Leone and is using these concessions as collateral for Chinese financing of major power sector projects. A company with an American interest is protesting the Government's decision to not renew one of its mining concession licenses. The Chinese have provided assistance for a number of infrastructure projects including building or refurbishing the Parliament building, national stadium, the Military and Police Head Quarters, the Youyi building that houses more than three quarters of the government ministries, bridges, and a sugar complex. The Chinese also plan to build the new Foreign Ministry building next year that will be located near the recently completed U.S. Embassy and a new sports stadium in Bo. China also provides scholarships for Sierra Leonean students to study in China. END SUMMARY

MOU ON ECONOMIC COOPERATION GIVES CHINA GREATER ACCESS

2. (SBU) The GOSL is looking increasingly to China for much-needed financial assistance. President Kabbah traveled to China last year for the China-Africa Summit and met separately with Chinese President Jintao to discuss how to further bilateral cooperation. President Kabbah signed a MOU with the Chinese pledging expanded economic cooperation and has invited the Chinese to conduct a comprehensive mineral survey in Sierra Leone. Chinese officials have visited Sierra Leone to collect soil samples for analysis for the preliminary stages of the survey, and more teams are expected later this year. Chinese officials have also visited to explore possibilities for creating export zones.

CHINESE TO PROVIDE ASSISTANCE FOR HYDROPOWER
PROJECTS IN EXCHANGE FOR MINING CONCESSIONS

3. (C) As a result of the decade-long civil war that ended in 2002 and overall poor governance, infrastructure challenges continue to plague Sierra Leone. Having failed to secure international financing from the World Bank and other international financial institutions, the Office of the President issued a directive freezing renewals and issuance

of new mining concession licenses and has begun a review of all current licenses to determine if companies are operating at an "effective" level. The Government has seized concessions it feels have not been operated effectively and is using these concessions as collateral for Chinese financing to complete the long-overdue Dodo and Benkorkor hydro electric projects in the Kenema district in the southeast part of the country. The Chinese originally built the Dodo hydro electric plant in the 1980s and plan to upgrade its capacity from two to six megawatts.

¶4. (C) According to a Ministry of Mineral Resources official, President Kabbah has selected the Benkorkor hydro electric project as his legacy project. Projected as potentially the largest hydro electric project in Sierra Leone, the Siaka Stevens government in the 1970s opted to fund the less costly Bumbuna hydro power project. Benkorkor's original cost was projected at \$400 million. The Chinese have proposed to build Benkorkor for \$150 million over three years with a five-year recovery plan. The ministry official said the Chinese are more interested in industrial minerals than gold or diamonds.

GONDWANA INVESTMENTS CRIES FOUL

¶5. (C) The Government's decision to freeze all renewals and new mining licenses has negatively impacted Gondwana Investments S.A. Gondwana is a privately-owned investment and mineral exploration company with American shareholders, including former AF Assistant Secretary of State Kansteiner, who is chairman of the board. It is based in Luxembourg and has operated in Sierra Leone for more than ten years. It is protesting the Government's January decision to deny its

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application for renewal of an exploration license at Port Loko in the Northern Province. Gondwana argues that the Government violated the law by denying the renewal and reportedly plans to sue the Government for breach of contract.

FISHING

¶6. (U) Chinese fishing vessels fish regularly in Sierra Leone territorial waters and there are fishing contracts between Sierra Leonean and Chinese companies including the Fujian-Africa Fishing Company of China and the Company of International Cooperation on Agriculture, Husbandry and Fishery of China.

CHINA GOODS

¶7. (U) China's exports to Sierra Leone include mechanical and electrical products, textiles and other light industrial goods, cultural and educational materials, hardware, and articles for daily use. China's main imports from Sierra Leone are coffee and cocoa beans. Figures for 2006 were unavailable. The trade volume between the two countries in 2002 was \$14.57 million, but has increase significantly since then. China is now Sierra Leone's third largest trading partner.

CULTURAL EXCHANGE

¶8. (U) Sierra Leone and China signed a cultural agreement in April 1981. China began to accept Sierra Leonean students in 1976 and had received over 250 students from Sierra Leone. China also has sent medical teams to Sierra Leone and began to re-deploy medical personnel following the end of the decade-long civil war in 2002.

MILITARY EXCHANGE

¶9. (U) The Chinese have provided considerable military training to the Republic of Sierra Leone Armed Forces (RSLAF) and have sent a number of Sierra Leonean soldiers to China for training. China also donated a patrol boat to the RSLAF navy in 2005. The Chinese have encouraged the GOSL to crack down on Guinean pirates who attack and raid Chinese fishing vessels in Sierra Leonean territorial waters.

TELECOMMUNICATIONS

¶10. (U) China recently announced that it will provide a \$16.5 million loan for Sierratel, the state-owned telecommunication operator, to improve rural landline service. The contract will go to a Chinese company.

US/CHINA COOPERATION

¶11. (U) Post maintains normal diplomatic relations with the Chinese mission, but does not have any areas of direct collaboration.

COMMENT

¶12. (C) The Chinese have a solid foothold in Sierra Leone, which appears will only be strengthened as the Government looks for ways to become less reliant on foreign assistance that comes with conditionalities. Chinese assistance is desirable for this very reason, and there remains considerable concern that the Government appears willing to quickly incur new debt even after having recently achieved significant debt relief from the Paris Club. END COMMENT.
HULL